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Interest Rate Swaps and Their Derivatives

A Practitioner's Guide

John Wiley & Sons *An up-to-date look at the evolution of interest rate swaps and derivatives Interest Rate Swaps and Derivatives bridges the gap between the theory of these instruments and their actual use in day-to-day life. This comprehensive guide covers the main "rates" products, including swaps, options (cap/floors, swaptions), CMS products, and Bermudan callables. It also covers the main valuation techniques for the exotics/structured-notes area, which remains one of the most challenging parts of the market. Provides a balance of relevant theory and real-world trading instruments for rate swaps and swap derivatives Uses simple settings and illustrations to reveal key results Written by an experienced trader who has worked with swaps, options, and exotics With this book, author Amir Sadr shares his valuable insights with practitioners in the field of interest rate derivatives-from traders and marketers to those in operations.*

Swaps and Other Derivatives

John Wiley & Sons *"Richard Flavell has a strong theoretical perspective on swaps with considerable practical experience in the actual trading of these instruments. This rare combination makes this welcome updated second edition a useful reference work for market practitioners." —Satyajit Das, author of Swaps and Financial Derivatives Library and Traders and Guns & Money: Knowns and Unknowns in the Dazzling World of Derivatives Fully revised and updated from the first edition, Swaps and Other Derivatives, Second Edition, provides a practical explanation of the pricing and evaluation of swaps and interest rate derivatives. Based on the author's extensive experience in derivatives and risk management, working as a financial engineer, consultant and trainer for a wide range of institutions across the world this book discusses in detail how many of the wide range of swaps and other derivatives, such as yield curve, index amortisers, inflation-linked, cross-market, volatility, diff and quanto diffs, are priced and hedged. It also describes the modelling of interest rate curves, and the derivation of implied discount factors from both interest rate swap curves, and cross-currency adjusted curves. There are detailed sections on the risk management of swap and option portfolios using both traditional approaches and also Value-at-Risk. Techniques are provided for the construction of dynamic and robust hedges, using ideas drawn from mathematical programming. This second edition has expanded sections on the credit derivatives market – its mechanics, how credit default swaps may be priced and hedged, and how default probabilities may be derived from a market strip. It also prices complex swaps with embedded options, such as range accruals, Bermudan swaptions and target accrual redemption notes, by constructing detailed numerical models such as interest rate trees and LIBOR-based simulation. There is also increased discussion around the modelling of volatility smiles and surfaces. The book is accompanied by a CD-ROM where all the models are replicated, enabling readers to implement the models in practice with the minimum of effort.*

Shape of Derivatives After Financial Crises

A Practitioners Opinion

Derivatives have a fascinating, 10,000-year-old history. From the ages of Babylonian rulers to medieval times, all the way to present day electronic trading, various forms of derivatives have had a place in humanity's financial history. Based on an agreement around an underlying asset to exchange cash or other commodities within a specified time frame, derivatives are a way to invest and hedge assets without ever actually needing to possess the asset itself. Ancient History In Sumer in 8000 B.C., clay tokens were baked into a spherical sort of "envelope" and used as a promise to a counterparty to deliver a quantity of goods by a certain date. Based on the time frame imprinted into the envelope vessel and the tokens themselves, sellers promised to deliver the assets. This exchange essentially functioned as a sort of forward contract, which was settled once the seller delivered their goods by the date baked onto the token. The motivations for using swap contracts fall into two basic categories: commercial needs and comparative advantage. The normal business operations of some firms lead to certain types of interest rate or currency exposures that swaps can alleviate. For example, consider a bank, which pays a floating rate of interest on deposits (e.g. liabilities) and earns a fixed rate of interest on loans (e.g. assets). This mismatch between assets and liabilities can cause tremendous difficulties. The bank could use a fixed-pay swap *(pay a fixed rate and receive a floating rate) to convert its fixed-rate assets into floating-rate assets, which would match up well with its floating-rate liabilities. Some companies have a comparative advantage in acquiring certain types of financing. However, this comparative advantage may not be for the type of financing desired. In this case, the company may acquire the financing for which it has a comparative advantage, then use a swap to convert it to the desired type of financing. For example, consider a well-known U.S. firm that wants to expand its operations into Europe, where it is less known. It will likely receive more favorable financing terms in the U.S. By using a currency swap, the firm ends up with the euros it needs to fund its expansion. Exotics CMS SWAP CMS swap is a kind of second order swap where you swap a rate of your choice against the above mentioned '10 year swap rate'. Every once in a while the rate is changed by referencing whatever Reuters says on that date the '10 year swap rate' is. Because it is always the 10 year rate that is referenced, it is called a constant maturity (in this case 10 year maturity) swap. Your payments however vary depending on developments in the market for ordinary swaps. A constant maturity swap (CMS) rate for a given tenor is referenced as a point on the Swap curve. A swap curve itself is a term structure wherein every point on the curve is the effective par swap rate for that tenor. This is analogous to a 3m LIBOR curve represents 3m forward rates for a given tenor. A swap rate can be considered as a weighted-average of forward rates. e.g. a two year par swap rate would be the fixed rate that makes a swap on (assume) LIBOR have NPV zero at inception. Usually, a LIBOR curve (or more generically a forward curve) would be bootstrapped using swap rates in the market (usually from 2y on-wards). For almost all derivatives you mentioned (best of my knowledge) you can liken them to their LIBOR counterpart where the reference curve is the par swap curve (effective swap rates per tenor) in lieu of the 3m LIBOR curve. e.g. a CMS swap's floating leg will (on fixing day) not refer the 3m LIBOR but the swap rate for the tenor instead. Moreover, one could also have the other leg floating and refer to LIBOR underlying curve.*

Securitisation Swaps

A Practitioner's Handbook

John Wiley & Sons *Develop the skillset essential to successful securitisation swaps management Securitisation Swaps is a complete practitioner’s guide to this unique and complex class of derivatives. This detailed examination follows the entire life cycle of securitisation swaps to give quants, structurers, traders, originators, issuers and lawyers a common reference for understanding their shared objective. Broad in scope to provide a common-ground perspective — yet detailed enough to promote full understanding — the discussion takes a distinctly cross-disciplinary approach that encompasses the multi-faceted knowledge base required to successfully execute these complex trades. Despite the fact that the size of the market is trillions of dollars in notional principal, securitisation swaps have thus far been neglected in both academic and practitioner literature. The numerous stakeholders that work together on these complex deals will all greatly benefit from a thorough understanding of their underlying risks and gain deep insight into the perspectives of each stakeholder. This invaluable guide provides multi-disciplinary insight that allows practitioners to: Manage securitisation swaps more effectively, from pre-trade structuring and modelling to post-trade risk management and accounting Understand the elements of securitisation and covered bonds, and how swaps mitigate risk in these types of transactions Explore how securitisation swaps differ from other derivatives and delve into their three specific risk factors — swap prepayment risk, swap extension risk and downgrade risk Learn practical methods and strategies of risk management, accounting, pricing and transaction execution When securitisation trades go wrong, they become front-page news — but when each participant understands accurate modelling, risk mitigation, optimal structuring, costs, pricing, commercial backgrounds and other integral practices, they are able to work together to achieve a shared objective. Securitisation Swaps provides the essential knowledge that streamlines and safeguards these important trades.*

Interest Rate Swaps and Other Derivatives

Columbia University Press *The first swap was executed over thirty years ago. Since then, the interest rate swaps and other derivative markets have grown and diversified in phenomenal directions. Derivatives are used today by a myriad of institutional investors for the purposes of risk management, expressing a view on the market, and pursuing market opportunities that are otherwise unavailable using more traditional financial instruments. In this volume, Howard Corb explores the concepts behind interest rate swaps and the many derivatives that evolved from them. Corb's book uniquely marries academic rigor and real-world trading experience in a compelling, readable style. While it is filled with sophisticated formulas and analysis, the volume is geared toward a wide range of readers searching for an in-depth understanding of these markets. It serves as both a textbook for students and a must-have reference book for practitioners. Corb helps readers develop an intuitive feel for these products and their use in the market, providing a detailed introduction to more complicated trades and structures. Through examples of financial structuring, readers will come away with an understanding of how derivatives products are created and how they can be deconstructed and analyzed effectively.*

Interest-Rate Derivatives

Volume 1: Swaps

John Wiley & Sons *A comprehensive, technically rigorous guide to interest–rate derivatives from a trading floor perspective This book provides extensive coverage of bonds and money markets; yield curves; interest–rate and cross–currency swaps; swaps risk–management; breakdowns of classical swaps pricing in the credit crunch; and modern multi–curve calibration methodologies. It closes with a section on counterparty credity risk for swaps, an issue that has come to the forefront of market practice in the aftermatch of the financial crisis. Written by a practitioner for practitioners, Interest–Rate Derivatives, Volume 1 is the ideal reference* *for derivatives practitioners everywhere.*

Modern Pricing of Interest-Rate Derivatives

The LIBOR Market Model and Beyond

Princeton University Press *In recent years, interest-rate modeling has developed rapidly in terms of both practice and theory. The academic and practitioners' communities, however, have not always communicated as productively as would have been desirable. As a result, their research programs have often developed with little constructive interference. In this book, Riccardo Rebonato draws on his academic and professional experience, straddling both sides of the divide to bring together and build on what theory and trading have to offer. Rebonato begins by presenting the conceptual foundations for the application of the LIBOR market model to the pricing of interest-rate derivatives. Next he treats in great detail the calibration of this model to market prices, asking how possible and advisable it is to enforce a simultaneous fitting to several market observables. He does so with an eye not only to mathematical feasibility but also to financial justification, while devoting special scrutiny to the implications of market incompleteness. Much of the book concerns an original extension of the LIBOR market model, devised to account for implied volatility smiles. This is done by introducing a stochastic-volatility, displaced-diffusion version of the model. The emphasis again is on the financial justification and on the computational feasibility of the proposed solution to the smile problem. This book is must reading for quantitative researchers in financial houses, sophisticated practitioners in the derivatives area, and students of finance.*

Fixed Income Securities

Tools for Today's Markets

John Wiley & Sons *Fixed income practitioners need to understand the conceptual frameworks of their field; to master its quantitative tool-kit; and to be well-versed in its cash-flow and pricing conventions. Fixed Income Securities, Third Edition by Bruce Tuckman and Angel Serrat is designed to balance these three objectives. The book presents theory without unnecessary abstraction; quantitative techniques with a minimum of mathematics; and conventions at a useful level of detail. The book begins with an overview of global fixed income markets and continues with the fundamentals, namely, arbitrage pricing, interest rates, risk metrics, and term structure models to price contingent claims. Subsequent chapters cover individual markets and securities: repo, rate and bond forwards and futures, interest rate and basis swaps, credit markets, fixed income options, and mortgage-backed-securities. Fixed Income Securities, Third Edition is full of examples, applications, and case studies. Practically every quantitative concept is illustrated through real market data. This practice-oriented approach makes the book particularly useful for the working professional. This third edition is a considerable revision and expansion of the second. Most examples have been updated. The chapters on fixed income options and mortgage-backed securities have been considerably expanded to include a broader range of securities and valuation methodologies. Also, three new chapters have been added: the global overview of fixed income markets; a chapter on corporate bonds and credit default swaps; and a chapter on discounting with bases, which is the foundation for the relatively recent practice of discounting swap cash flows with curves based on money market rates. [FOR THE UNIVERSITY EDITION] This university edition includes problems which students can use to test and enhance their understanding of the text.*

Derivatives

John Wiley & Sons *The complete guide to derivatives, from the experts at the CFA Derivatives is the definitive guide to derivatives, derivative markets, and the use of options in risk management. Written by the experts at the CFA Institute, this book provides authoritative reference for students and investment professionals seeking a deeper understanding for more comprehensive portfolio management. General discussion of the types of derivatives and their characteristics gives way to detailed examination of each market and its contracts, including forwards, futures, options, and swaps, followed by a look at credit derivatives markets and their instruments. Included lecture slides help bring this book directly into the classroom, while the companion workbook (sold separately) provides problems and solutions that align with the text and allows students to test their understanding while facilitating deeper internalization of the material. Derivatives have become essential to effective financial risk management, and create synthetic exposure to asset classes. This book builds a conceptual framework for understanding derivative fundamentals, with systematic coverage and detailed explanations. Understand the different types of derivatives and their characteristics Delve into the various markets and their associated contracts Examine the use of derivatives in portfolio management Learn why derivatives are increasingly fundamental to risk management The CFA Institute is the world's premier association for investment professionals, and the governing body for the CFA, CIPM, and Investment Foundations Programs. Those seeking a deeper understanding of the markets, mechanisms, and use of derivatives will value the level of expertise CFA lends to the discussion, providing a clear, comprehensive resource for students and professionals alike. Whether used alone or in conjunction with the companion workbook, Derivatives offers a complete course in derivatives and their markets.*

Fixed Income Markets

Instruments, Applications, Mathematics

John Wiley & Sons *This book is a comprehensive and in-depth account of the global debt capital markets. It covers a wide range of instruments and their applications, including derivative instruments. Highlights of the book include: Detailed description of the main products in use in the fixed income markets today, including analysis and valuation Summary of market conventions and trading practices Extensive coverage of associated derivatives including futures, swaps, options and credit derivatives Writing style aimed at a worldwide target audience An overview of trading and investment strategy. The contents will be invaluable reading for anyone with an interest in debt capital markets, especially investors, traders, bond salespersons, risk managers and banking consultants.*

OIS Discounting, Interest Rate Derivatives, and the Modeling of Stochastic Interest Rate Spreads

Prior to 2007, derivatives practitioners used a zero curve that was bootstrapped from LIBOR swap rates to provide “risk-free” rates when pricing derivatives. In the last few years, when pricing fully collateralized transactions, practitioners have switched to using a zero curve bootstrapped from overnight indexed swap (OIS) rates for discounting. This paper explains the calculations underlying the use of OIS rates and investigates the impact of the switch on the pricing of plain vanilla caps and swap options. It also explores how more complex derivatives providing payoffs dependent on LIBOR, or any other reference rate, can be valued. It presents new results showing that they can be handled by constructing a single tree for the evolution of the OIS rate.

Financial Derivatives in Theory and Practice

John Wiley and Sons *The term Financial Derivative is a very broad term which has come to mean any financial transaction whose value depends on the underlying value of the asset concerned. Sophisticated statistical modelling of derivatives enables practitioners in the banking industry to reduce financial risk and ultimately increase profits made from these transactions. The book originally published in March 2000 to widespread acclaim. This revised edition has been updated with minor corrections and new references, and now includes a chapter of exercises and solutions, enabling use as a course text. Comprehensive introduction to the theory and practice of financial derivatives. Discusses and elaborates on the theory of interest rate derivatives, an area of increasing interest. Divided into two self-contained parts ? the first concentrating on the theory of stochastic calculus, and the second describes in detail the pricing of a number of different derivatives in practice. Written by well respected academics with experience in the banking industry. A valuable text for practitioners in research departments of all banking and finance sectors. Academic researchers and graduate students working in mathematical finance.*

Pricing and Trading Interest Rate Derivatives

A Practical Guide to Swaps

The most professional and industry relatable text currently available for linear interest rate derivatives. This revised edition markedly expands the first edition released in 2016, with revised content based on multiple recommendations from active portfolio managers. Learn more at TradingInterestRates.com.. Written by a practicing derivatives portfolio manager with over twelve years of fixed income trading experience, this book focuses on core trading concepts; pricing, curve building (single and multi-currency), risk, credit and CSAs, regulations, VaR and PCA, volatility, cross-gamma, trade strategy analysis and market moving influences. The book's focus is interest rate swaps and cross-currency swaps. Topics are presented from that perspective, outlining the importance of regulations in an IRD capacity, with volatility and swaptions taught from a practical point of view rather than an overly cumbersome academic one. The treatment of risk is expansive and thorough. The author formally analyses modern market-maker techniques to accurately predict PnL, and successfully implement multiple, consistent perspectives to view all details of risks. Almost everything included here is compulsory knowledge for a modern, successful, swaps trader or interest rate risk portfolio manager. Certainly this book sets the benchmark for the level of expertise that swaps traders should strive for, and the style is aimed at the novice and professional alike.

Derivatives Essentials

An Introduction to Forwards, Futures, Options and Swaps

John Wiley & Sons *A clear, practical guide to working effectively with derivative securities products Derivatives Essentials is an accessible, yet detailed guide to derivative securities. With an emphasis on mechanisms over formulas, this book promotes a greater understanding of the topic in a straightforward manner, using plain-English explanations. Mathematics are included, but the focus is on comprehension and the issues that matter most to practitioners—including the rights and obligations, terms and conventions, opportunities and exposures, trading, motivation, sensitivities, pricing, and valuation of each product. Coverage includes forwards, futures, options, swaps, and related products and trading strategies, with practical examples that demonstrate each concept in action. The companion website provides Excel files that illustrate pricing, valuation, sensitivities, and strategies discussed in the book, and practice and assessment questions for each chapter allow you to reinforce your learning and gauge the depth of your understanding. Derivative securities are a complex topic with many "moving parts," but practitioners must possess a full working knowledge of these products to use them effectively. This book promotes a truly internalized understanding rather than rote memorization or strict* *quantitation, with clear explanations and true-to-life examples. Understand the concepts behind derivative securities Delve into the nature, pricing, and offset of sensitivities Learn how different products are priced and valued Examine trading strategies and practical examples for each product Pricing and valuation is important, but understanding the fundamental nature of each product is critical—it gives you the power to wield them more effectively, and exploit their natural behaviors to achieve both short- and long-term market goals. Derivatives Essentials provides the clarity and practical perspective you need to master the effective use of derivative securities products.*

Pricing and Hedging Financial Derivatives

A Guide for Practitioners

John Wiley & Sons *The only guide focusing entirely on practical approaches to pricing and hedging derivatives One valuable lesson of the financial crisis was that derivatives and risk practitioners don't really understand the products they're dealing with. Written by a practitioner for practitioners, this book delivers the kind of knowledge and skills traders and finance professionals need to fully understand derivatives and price and hedge them effectively. Most derivatives books are written by academics and are long on theory and short on the day-to-day realities of derivatives trading. Of the few practical guides available, very few of those cover pricing and hedging—two critical topics for traders. What matters to practitioners is what happens on the trading floor—information only seasoned practitioners such as authors Marroni and Perdomo can impart. Lays out proven derivatives pricing and hedging strategies and techniques for equities, FX, fixed income and commodities, as well as multi-assets and cross-assets Provides expert guidance on the development of structured products, supplemented with a range of practical examples Packed with real-life examples covering everything from option payout with delta hedging, to Monte Carlo procedures to common structured products payoffs The Companion Website features all of the examples from the book in Excel complete with source code*

The Advanced Fixed Income and Derivatives Management Guide

John Wiley & Sons *A highly-detailed, practical analysis of fixed income management The Advanced Fixed Income and Derivatives Management Guide provides a completely novel framework for analysis of fixed income securities and portfolio management, with over 700 useful equations. The most detailed analysis of inflation linked and corporate securities and bond options analysis available;, this book features numerous practical examples that can be used for creating alpha transfer to any fixed income portfolio. With a framework that unifies back office operations, such as risk management and portfolio management in a consistent way, readers will be able to better manage all sectors of fixed income, including bonds, mortgages, credits, and currencies, and their respective derivatives, including bond and interest rate futures and options, callable bonds, credit default swaps, interest rate swaps, swaptions and inflation swaps. Coverage includes never-before-seen detail on topics including recovery value, partial yields, arbitrage, and more, and the companion website features downloadable worksheets that can be used for measuring the risks of securities based on the term structure models. Many theoretical models of the Term Structure of Interest Rates (TSIR) lack the accuracy to be used by market practitioners, and the most popular models are not mathematically stable. This book helps readers develop stable and accurate TSIR for all fundamental rates, enabling analysis of even the most complex securities or cash flow structure. The components of the TSIR are almost identical to the modes of fluctuations of interest rates and represent the language with which the markets speak. Examine unique arbitrage, risk measurement, performance attribution, and replication of bond futures Learn to estimate recovery value from market data, and the impact of recovery value on risks Gain deeper insight into partial yields, product design, and portfolio construction Discover the proof that corporate bonds cannot follow efficient market hypothesis This useful guide provides a framework for systematic and consistent management of all global fixed income assets based on the term structure of rates. Practitioners seeking a more thorough management system will find solutions in The Advanced Fixed Income and Derivatives Management Guide.*

Swaps and Other Derivatives

John Wiley & Sons *"Richard Flavell has a strong theoretical perspective on swaps with considerable practical experience in the actual trading of these instruments. This rare combination makes this welcome updated second edition a useful reference work for market practitioners." —Satyajit Das, author of Swaps and Financial Derivatives Library and Traders and Guns & Money: Knowns and Unknowns in the Dazzling World of Derivatives Fully revised and updated from the first edition, Swaps and Other Derivatives, Second Edition, provides a practical explanation of the pricing and evaluation of swaps and interest rate derivatives. Based on the author's extensive experience in derivatives and risk management, working as a financial engineer, consultant and trainer for a wide range of institutions across the world this book discusses in detail how many of the wide range of swaps and other derivatives, such as yield curve, index amortisers, inflation-linked, cross-market, volatility, diff and quanto diffs, are priced and hedged. It also describes the modelling of interest rate curves, and the derivation of implied discount factors from both interest rate swap curves, and cross-currency adjusted curves. There are detailed sections on the risk management of swap and option portfolios using both traditional approaches and also Value-at-Risk. Techniques are provided for the construction of dynamic and robust hedges, using ideas drawn from mathematical programming. This second edition has expanded sections on the credit derivatives market – its mechanics, how credit default swaps may be priced and hedged, and how default probabilities may be derived from a market strip. It also prices complex swaps with embedded options, such as range accruals, Bermudan swaptions and target accrual redemption notes, by constructing detailed numerical models such as interest rate trees and LIBOR-based simulation. There is also increased discussion around the modelling of volatility smiles and surfaces. The book is accompanied by a CD-ROM where all the models are replicated,* *enabling readers to implement the models in practice with the minimum of effort.*

Credit Derivatives and Structured Credit

A Guide for Investors

John Wiley & Sons *Over the past decade, credit derivatives have emerged as the key financial innovation in global capital markets. At end 2004, the market size hit $6.4 billion (in notional amounts) from virtually nothing in 1995. This rise has been spurred by the imperative for banks to better manage their risks, not least credit risks, and the appetite shown by institutional investors and hedge funds for innovative, high yielding structured investment products. As a result, growth in collateralized debt obligations and other second-generation products, such as credit indices, is currently phenomenal. It is enabled by the standardization and increased liquidity in credit default swaps – the building block of the credit derivatives market. Written by market practitioners and specialists, this book covers the fundamentals of the credit derivatives and structured credit market, including in-depth product descriptions, analysis of real transactions, market overview, pricing models, banks business models. It is recommended reading for students in business schools and financial courses, academics, and professionals working in investment and asset management, banking, corporate treasury and the capital markets. Highlights include: Written by market practitioners and specialists with first-hand experience in the credit derivatives and structured credit market A clearly-written, pedagogical book with numerous illustrations Detailed review of real-case transactions A comprehensive historical perspective on market developments including up-to-date analysis of the latest trends*

Commodity Derivatives

A Guide for Future Practitioners

Routledge *Commodity Derivatives: A Guide for Future Practitioners describes the origins and uses of these important markets. Commodities are often used as inputs in the production of other products, and commodity prices are notoriously volatile. Derivatives include forwards, futures, options, and swaps; all are types of contracts that allow buyers and sellers to establish the price at one time and exchange the commodity at another. These contracts can be used to establish a price now for a purchase or sale that will occur later, or establish a price later for a purchase or sale now. This book provides detailed examples for using derivatives to manage prices by hedging, using futures, options, and swaps. It also presents strategies for using derivatives to speculate on price levels, relationships, volatility, and the passage of time. Finally, because the relationship between a commodity price and a derivative price is not constant, this book examines the impact of basis behaviour on hedging results, and shows how the basis can be bought and sold like a commodity. The material in this book is based on the author’s 30-year career in commodity derivatives, and is essential reading for students planning careers as commodity merchandisers, traders, and related industry positions. Not only does it provide them with the necessary theoretical background, it also covers the practical applications that employers expect new hires to understand. Examples are coordinated across chapters using consistent prices and formats, and industry terminology is used so students can become familiar with standard terms and concepts. This book is organized into 18 chapters, corresponding to approximately one chapter per week for courses on the semester system.*

Equity Hybrid Derivatives

John Wiley & Sons

Inflation-indexed Securities

Bonds, Swaps and Other Derivatives

John Wiley & Sons *The global market for inflation-indexed securities has ballooned in recent years, and this trend is set to continue. This book examines the rationale behind issuance and investment decisions, and details the issues facing anyone who designs indexed securities, illustrating them wherever possible with actual examples from the international capital markets. In particular, an extensive review of indexed debt markets throughout the world is provided - including for the first time, a comprehensive and consistent set of cash flow and price-yield equations for the instruments already in existence in the major bond markets - forming an important reference for those already experienced in the field, as well as practitioners and academics approaching the subject for the first time. The book also provides unique insight into the development of inflation-indexed derivative products, and the analytical tools required to value such instruments.*

Understanding Swaps

John Wiley & Sons *From plain vanilla swaps to swaptions to circus swaps here s themost comprehensive, practical introduction to the global world ofswaps Understanding Swaps Financial personnel, corporate treasurersand professional cash managers seeking a practical, hands-onintroduction to swaps sophisticated financial instruments usedglobally to control interest payments, manage debt, and enhanceinvestment portfolios need look no further than UnderstandingSwaps. "Jack Marshall and Ken Kapner have done a superb job of providing acomplete, easy-to-read primer to derivative products. Using clearlanguage and concise examples, it lays out the world of swaps forthe practitioner, student, accountant, lawyer or regulator." RobertJ. Schwartz EUP and Chief Operating Officer*

Mitsubishi CapitalMarkets, Inc. "Marshall and Kapner have produced an exceptionally cogentdescription and analysis of the swaps market along with itsessential technical and theoretical underpinnings. This book shouldbe number one on the reading list for any student or practitionerof contemporary financial techniques." J. Michael Payte SeniorManaging Director Bear Sterns & Co., Inc. "Understanding Swaps details the complete world of swaps: thebasics (interest rate and currency swaps), the vogue (equity andcommodity swaps), and the future (macroeconomic swaps). Indeed,Understanding Swaps is the book I would recommend to someone for acomprehensive and very readable primer on swaps." Carolyn JacksonFirst Vice President Banque Indosuez

LIBOR Vs. OIS

The Derivatives Discounting Dilemma

Traditionally practitioners have used LIBOR and LIBOR-swap rates as proxies for risk-free rates when valuing derivatives. This practice has been called into question by the credit crisis that started in 2007. Many banks now consider that overnight indexed swap (OIS) rates should be used as the risk-free rate when collateralized portfolios are valued and that LIBOR should be used for this purpose when portfolios are not collateralized. This paper examines this practice and concludes that OIS rates should be used in all situations.

Interest Rate Modeling: Post-Crisis Challenges and Approaches

Springer *Filling a gap in the literature caused by the recent financial crisis, this book provides a treatment of the techniques needed to model and evaluate interest rate derivatives according to the new paradigm for fixed income markets. Concerning this new development, there presently exist only research articles and two books, one of them an edited volume, both being written by researchers working mainly in practice. The aim of this book is to concentrate primarily on the methodological side, thereby providing an overview of the state-of-the-art and also clarifying the link between the new models and the classical literature. The book is intended to serve as a guide for graduate students and researchers as well as practitioners interested in the paradigm change for fixed income markets. A basic knowledge of fixed income markets and related stochastic methodology is assumed as a prerequisite.*

Credit Derivatives Pricing Models

Models, Pricing and Implementation

John Wiley & Sons *The credit derivatives market is booming and, for the first time, expanding into the banking sector which previously has had very little exposure to quantitative modeling. This phenomenon has forced a large number of professionals to confront this issue for the first time. Credit Derivatives Pricing Models provides an extremely comprehensive overview of the most current areas in credit risk modeling as applied to the pricing of credit derivatives. As one of the first books to uniquely focus on pricing, this title is also an excellent complement to other books on the application of credit derivatives. Based on proven techniques that have been tested time and again, this comprehensive resource provides readers with the knowledge and guidance to effectively use credit derivatives pricing models. Filled with relevant examples that are applied to real-world pricing problems, Credit Derivatives Pricing Models paves a clear path for a better understanding of this complex issue. Dr. Philipp J. Schönbucher is a professor at the Swiss Federal Institute of Technology (ETH), Zurich, and has degrees in mathematics from Oxford University and a PhD in economics from Bonn University. He has taught various training courses organized by ICM and CIFT, and lectured at risk conferences for practitioners on credit derivatives pricing, credit risk modeling, and implementation.*

Interest Rate Risk Modeling

The Fixed Income Valuation Course

Wiley *The definitive guide to fixed income valuation and risk analysis The Trilogy in Fixed Income Valuation and Risk Analysis comprehensively covers the most definitive work on interest rate risk, term structure analysis, and credit risk. The first book on interest rate risk modeling examines virtually every well-known IRR model used for pricing and risk analysis of various fixed income securities and their derivatives. The companion CD-ROM contain numerous formulas and programming tools that allow readers to better model risk and value fixed income securities. This comprehensive resource provides readers with the hands-on information and software needed to succeed in this financial arena.*

Interest Rate Derivatives Explained

Volume 1: Products and Markets

Springer *Aimed at practitioners who need to understand the current fixed income markets and learn the techniques necessary to master the fundamentals, this book provides a thorough but concise description of fixed income markets, looking at the business, products and structures and advanced modeling of interest rate instruments.*

Dynamic Term Structure Modeling

The Fixed Income Valuation Course

John Wiley & Sons *Praise for Dynamic Term Structure Modeling "This book offers the most comprehensive coverage of term-structure models I have seen so far, encompassing equilibrium and no-arbitrage models in a new framework, along with the major solution techniques using trees, PDE methods, Fourier methods, and approximations. It is an essential reference for academics and practitioners alike." --Sanjiv Ranjan Das Professor of Finance, Santa Clara University, California, coeditor, Journal of Derivatives "Bravo! This is an exhaustive analysis of the yield curve dynamics. It is clear, pedagogically impressive, well presented, and to the point." --Nassim Nicholas Taleb author, Dynamic Hedging and The Black Swan "Nawalkha, Beliaeva, and Soto have put together a comprehensive, up-to-date textbook on modern dynamic term structure modeling. It is both accessible and rigorous and should be of tremendous interest to anyone who wants to learn about state-of-the-art fixed income modeling. It provides many numerical examples that will be valuable to readers interested in the practical implementations of these models." --Pierre Collin-Dufresne Associate Professor of Finance, UC Berkeley "The book provides a comprehensive description of the continuous time interest rate models. It serves an important part of the trilogy, useful for financial engineers to grasp the theoretical underpinnings and the practical implementation." --Thomas S. Y. Ho, PHD President, Thomas Ho Company, Ltd, coauthor, The Oxford Guide to Financial Modeling*

Accounting for Investments, Fixed Income Securities and Interest Rate Derivatives

A Practitioner's Handbook

John Wiley & Sons *The financial crisis that started in mid-2007 resulted in the accounting standard setters and market regulators across the globe to come up with several proposals to modify the accounting standards. This book covers the revised standards that are already pronounced and covers the proposals that are currently being reviewed.*

Accounting for Investments, Fixed Income Securities and Interest Rate Derivatives

A Practitioner's Handbook

John Wiley & Sons *A comprehensive guide to new and existing accounting practices for fixed income securities and interest rate derivatives The financial crisis forced accounting standard setters and market regulators around the globe to come up with new proposals for modifying existing practices for investment accounting. Accounting for Investments, Volume 2: Fixed Income and Interest Rate Derivatives covers these revised standards, as well as those not yet implemented, in detail. Beginning with an overview of the financial products affected by these changes—defining each product, the way it is structured, its advantages and disadvantages, and the different events in the trade life cycle—the book then examines the information that anyone, person or institution, holding fixed income security and interest rate investments must record. Offers a comprehensive overview of financial products including fixed income and interest rate derivatives like interest rate swaps, caps, floors, collars, cross currency swaps, and more Follows the trade life cycle of each product Explains how new and anticipated changes in investment accounting affect the investment world Accurately recording and reporting investments across financial products requires extensive knowledge both of new and existing practices, and Accounting for Investments, Volume 2, Fixed Income Securities and Interest Rate Derivatives covers this important topic in-depth, making it an invaluable resource for professional and novice accountants alike.*

Financial Derivatives

Excel Books India *In the recent decade, financial markets have been marked by excessive volatility and are associated with various risks. Derivatives are the instruments for managing risks. Derivatives are financial contracts whose value/price is dependent on the behavior of the price of one or more basic underlying assets which may be commodity or financial asset. In recent years, derivatives have become increasingly important in the field of finance. The book discusses at large the meaning, basic understanding, pricing and trading strategies of the financial derivatives. Common derivatives include options, forward contracts, futures contracts, and swaps. While futures and options are now actively traded on many exchanges, forward contracts are popular on the OTC market. This book provides a broad-based introduction to the technical aspects of the main classes of derivatives, the markets in which they are traded and the underlying concepts. This book is a comprehensive, industry-independent exploration of financial derivatives which offers an insightful look inside financial derivatives that is sweeping corporate world, banks, and investment finance. From reviewing the basic building blocks of financial derivatives to systematically examining the myriad of processes involved in creating innovative financial instruments, this lucid text provides professional advice to the learners. This book is intended as a text for MBA students specializing in the area of Finance, students of CA/ICWA, students of M.Com, academicians, researchers, practitioners and investors in general.*

Hedging Instruments and Risk Management

How to Use Derivatives to Control Financial Risk in Any Market

McGraw Hill Professional *Books on complex hedging instruments are often more confusing than the instruments themselves. Hedging Instruments & Risk Management brings clarity to the topic, giving money managers the straightforward knowledge they need to employ hedging tools and techniques in four key markets—equity, currency, fixed income, and mortgage. Using real-world data and examples, this high-level book shows practitioners how to develop a common set of mathematical and statistical tools for hedging in various markets and then outlines several hedging strategies with the historical performance of each.*

Swaps and Financial Derivatives

Products, Pricing, Applications and Risk Management

Wiley *Swaps/ Financial Derivatives - Third Edition is a unique, authoritative and comprehensive reference work for practitioners on derivatives. It brings together all aspects of derivative instruments within a cohesive and integrated framework covering: Derivative instruments including exchange-traded markets and over-the-counter markets Pricing, valuation and trading/hedging of derivatives. Management of market, credit and other risk associated with derivatives trading. Documentation, accounting, taxation and regulatory aspects of derivatives. Applications of derivatives. Derivative structures including synthetic asset structures using derivatives, exotic options, interest rate/ currency, equity, commodity (energy, metals and agricultural), credit and new derivative markets (insurance, weather, inflation/ macro-economic indicators, property and emissions) Key Features of Swaps/ Financial Derivatives include: Unparalleled up-to-date coverage of derivative markets in all asset classes. Written by experienced practitioner. Practical approach using actual transactions that are analysed to illustrate the structure, application, pricing, hedging and risk management of individual instruments. Four volumes; 4,500 pages; Hundreds of Exhibits and diagrams Detailed Index and extensive references*

The SABR/LIBOR Market Model

Pricing, Calibration and Hedging for Complex Interest-Rate Derivatives

John Wiley & Sons *This book presents a major innovation in the interest rate space. It explains a financially motivated extension of the LIBOR Market model which accurately reproduces the prices for plain vanilla hedging instruments (swaptions and caplets) of all strikes and maturities produced by the SABR model. The authors show how to accurately recover the whole of the SABR smile surface using their extension of the LIBOR market model. This is not just a new model, this is a new way of option pricing that takes into account the need to calibrate as accurately as possible to the plain vanilla reference hedging instruments and the need to obtain prices and hedges in reasonable time whilst reproducing a realistic future evolution of the smile surface. It removes the hard choice between accuracy and time because the framework that the authors provide reproduces today's market prices of plain vanilla options almost exactly and simultaneously gives a reasonable future evolution for the smile surface. The authors take the SABR model as the starting point for their extension of the LMM because it is a good model for European options. The problem, however with SABR is that it treats each European option in isolation and the processes for the various underlyings (forward and swap rates) do not talk to each other so it isn't obvious how to relate these processes into the dynamics of the whole yield curve. With this new model, the authors bring the dynamics of the various forward rates and stochastic volatilities under a single umbrella. To ensure the absence of arbitrage they derive drift adjustments to be applied to both the forward rates and their volatilities. When this is completed, complex derivatives that depend on the joint realisation of all relevant forward rates can now be priced. Contents THE THEORETICAL SET-UP The Libor Market model The SABR Model The LMM-SABR Model IMPLEMENTATION AND CALIBRATION Calibrating the LMM-SABR model to Market Caplet prices Calibrating the LMM/SABR model to Market Swaption Prices Calibrating the Correlation Structure EMPIRICAL EVIDENCE The Empirical problem Estimating the volatility of the forward rates Estimating the correlation structure Estimating the volatility of the volatility HEDGING Hedging the Volatility Structure Hedging the Correlation Structure Hedging in conditions of market stress*

Credit Derivatives

Trading & Management of Credit & Default Risk

Wiley *Credit Derivatives Trading & Management of Credit & Default Risk Written by some of the industry's leading names, Credit Derivatives - Trading & Management of Credit and Default Riskprovides a comprehensive overview of this increasingly important financial instrument. Credit Derivatives promise to revolutionise the management of credit risk in banking and capital markets. Credit Derivatives will be essential for commercial and investment banks as well as brokers active in credit derivative products; liability and investment managers who utilise or are looking at utilising credit derivatives; consultants, IT firms and accountants active in advising* *traders or users of these instruments; and, regulatory agencies. It can also be used in practical in-house training programmes as well as in post-graduate programmes such as MBA or Applied Finance courses in credit risk management, either as the primary text or supplementary reading. Credit Derivatives is edited by the author of Swaps & Financial Derivatives, Satyajit Das, who is also the major contributor to the book. There are additional specialist chapters by practitioners drawn from industry leaders including: Citibank Limited Clifford Chance JP Morgan KMV Corporation Moody's Investors Service Price Waterhouse "In a rapidly developing area of finance, where knowledge and information are jealously guarded, this book offers a means of 'getting up to speed' on a topic that may well fundamentally alter the way the banking and investment community handles credit risk." - Mark Schneider, Head of New Markets Société Générale Australia Limited "In his usual style, Das has produced…one of the most extensive discussions of credit derivatives…A must have reference for students and market practitioners alike." - Quentin K. Hills, Head, Derivatives Marketing - Asia Citibank, N.A. "…too often this kind of 'real world' material does not get included in derivatives books…This has the right combination of basic explanation and technical material." - Nick Reed, Director, RVC Associates "…a comprehensive collection of material on…this relatively new field of banking practice." - Ralph Yiehmin Liu, Managing Director, Advanced Risk Management Solutions Pte Ltd*

Derivative Securities and Difference Methods

Springer Science & Business Media *This book studies pricing financial derivatives with a partial differential equation approach. The treatment is mathematically rigorous and covers a variety of topics in finance including forward and futures contracts, the Black-Scholes model, European and American type options, free boundary problems, lookback options, interest rate models, interest rate derivatives, swaps, caps, floors, and collars. Each chapter concludes with exercises.*

Financial Mathematics, Derivatives and Structured Products

Springer *This book introduces readers to the financial markets, derivatives, structured products and how the products are modelled and implemented by practitioners. In addition, it equips readers with the necessary knowledge of financial markets needed in order to work as product structurers, traders, sales or risk managers. As the book seeks to unify the derivatives modelling and the financial engineering practice in the market, it will be of interest to financial practitioners and academic researchers alike. Further, it takes a different route from the existing financial mathematics books, and will appeal to students and practitioners with or without a scientific background. The book can also be used as a textbook for the following courses: • Financial Mathematics (undergraduate level) • Stochastic Modelling in Finance (postgraduate level) • Financial Markets and Derivatives (undergraduate level) • Structured Products and Solutions (undergraduate/postgraduate level)*

Fixed Income Relative Value Analysis, + Website

A Practitioners Guide to the Theory, Tools, and Trades

Bloomberg Press *As western governments issue increasing amounts of debt, the fixed income markets have never been more important. Yet the methods for analyzing these markets have failed to keep pace with recent developments, including the deterioration in the credit quality of many sovereign issuers. In Fixed Income Relative Value Analysis, Doug Huggins and Christian Schaller address this gap with a set of analytic tools for assessing value in the markets for government bonds, interest rate swaps, and related basis swaps, as well as associated futures and options. Taking a practitioner's point of view, the book presents the theory behind market analysis in connection with tools for finding and expressing trade ideas. The extensive use of actual market examples illustrates the ways these analytic tools can be applied in practice. The book covers: Statistical models for quantitative market analysis, in particular mean reversion models and principal component analysis. An in-depth approach to understanding swap spreads in theory and in practice. A comprehensive discussion of the various basis swaps and their combinations. The incorporation of credit default swaps in yield curve analysis. A classification of option trades, with appropriate analysis tools for each category. Fitted curve techniques for identifying relative value among different bonds. A multi-factor delivery option model for bond future contracts. Fixed Income Relative Value Analysis provides an insightful presentation of the relevant statistical and financial theories, a detailed set of statistical and financial tools derived from these theories, and a multitude of actual trades resulting from the application of these tools to the fixed income markets. As such, it's an indispensable guide for relative value analysts, relative value traders, and portfolio managers for whom security selection and hedging are part of the investment process.*

Derivative Products and Pricing

The Das Swaps and Financial Derivatives Library

John Wiley & Sons *Derivative Products & Pricing consists of 4 Parts divided into 16 chapters covering the role and function of derivatives, basic derivative instruments (exchange traded products (futures and options on future contracts) and over-the-counter products (forwards, options and swaps)), the pricing and valuation of derivatives instruments, derivative trading and portfolio management.*

Merton Miller on Derivatives

John Wiley & Sons *A rare opportunity to go one-on-one with an industry giant and one of today's most respected financial thinkers, Merton Miller on Derivatives is a refreshingly accessible overview of derivatives, the revolution they have wrought, and the disasters they've supposedly caused. Though routinely assailed by regulators and the media, derivatives are hailed by a celebrated group of practitioners, analysts, and theorists, led most notably by Nobel laureate Merton Miller. Miller is legendary for repeatedly demonstrating-often with humor and always with grace-the value of derivatives in price discovery, managing financial risk, and tailoring a risk-return profile. Here, in this collection of his recent essays, Miller expounds on a number of critical derivatives issues. Is it a problem that some organizations have lost substantial sums on derivatives? Miller's short answer: Some organizations will always find ways to lose money. Nor does he believe that more government regulation is the answer. He notes, for example, that for all the horror stories about derivatives, the world's banks have lost vastly more in bad real estate deals than they'll ever lose on their derivatives portfolios. Merton Miller on Derivatives offers twenty-two provocative chapters. A sampling: "The Recent Derivatives 'Disasters': Assessing the Damage" takes a close look at such debacles as Procter & Gamble, Orange County, and Barings Bank. "Financial Regulation: The Inside Game" uses an apt sports analogy to show how the derivatives regulatory game is really played, as opposed to the way outsiders imagine it is played. "Japanese-American Trade Relations: Can Rambo Beat Godzilla?" succinctly sums up the nature of Japanese-American trade. And "Risk and Return on Futures Contracts: A Chicago View" highlights the pivotal role derivatives play in hedging risk. There are also penetrating pieces on corporate governance that compare the system existing in the United States and England with the one existing in Germany and Japan. To complete the collection, a section called "Questions I'm Often Asked" features Miller's unique perspective on a wide range of topics, from what's ahead for China to what we've learned from the Crash of 1987. Contrary to widely held perceptions, the so-called "derivatives revolution" has made the world safer, not more dangerous. This explains the phenomenal growth of financial futures. As Miller shows, derivatives enable organizations to deal effectively with risks that have plagued them for decades, even centuries. Praise for merton miller on derivatives "Miller is one of the clearest thinkers of our time. Once again, he provides a simple, insightful, and witty analysis of an important and complex topic. This book is truly fun to read." -Kenneth R. French Beinecke Professor of Management Studies and Finance Yale University School of Management. "Some of us trade markets; others of us observe markets; Merton Miller understands markets. As this volume demonstrates, Professor Miller is unsurpassed at cutting through fluff, misinterpretation, and even obfuscation to get to the heart of highly charged issues." -Charles W. Smithson Managing Director, CIBC Wood Gundy. "Vintage Merton Miller: zesty writing and forcefully communicated ideas, not only on derivatives, but on a wide range of topics in financial markets. This is no ponderous academic tome, but rather a series of entertaining, yet devastatingly analytical essays on controversial issues in finance. Great reading and great analysis." -Hans R. Stoll Walker Professor of Finance and Director of the Financial Markets Research Center, Vanderbilt University. "I am grateful to Merton Miller for setting the record straight, once again, regarding derivatives. With his customary brilliance, Merton cuts through the fog of misunderstanding and nonsense that too often surrounds derivatives and reveals them for what they truly are: phenomenally successful and essential risk management tools." -Jack Sandner Chairman, Chicago Mercantile Exchange.*